The General Law of Capitalist Accumulation: 
Vol. I, chapter 25, *Capital*

The tendency to accumulate surplus labor by investing excessively in constant capital ultimately leads to glut of production and very low wages; as a result the purchase capacity of the worker ultimately reduces to an extent that they cannot buy the product that they produced themselves.

**Case**

Let,
Subsistence Value, \( B = \$25 \) per day per person (keeps them alive)
Wage value, \( W = \$50 \) per day per worker (the going wage)
Labor Value, \( V = \$100 \) per day per worker (value of production)

Surplus Labor, \( SL = V - W \): Labor Value minus wages: \$100 - \$50 = \$50
— This is what capitalist gets from a single worker beyond his actual labor per day

Surplus Wages \( SW = W - B \): Wages minus subsistence: \$50 - \$25 = \$25
— This is what a single worker gets for buying consumer goods

If the capitalist employs \( N \) workers, then
Total Subsistence value = \$25N; Total Wage Value \( W = \$50N \); Total Labor Value \( V = \$100N \) (value of production);
Total Surplus Labor = \$50N
--- This is what the capitalist gets
Total Surplus Wages = \$25N
--- This is what the labor force gets for leisure

**Constant Capital** (CC) = The material aspects of production, such as machinery, factory, land and tools.

Value of Constant Capital per day: buying price of machinery, land, tools, etc. divided by the number of days they can work.

Suppose the CC for 20 years is \$50 million

Then value of CC per day = \( \frac{50,000,000}{(20*365)} = \$6850 \)

Cost of production per day = \( CC + Wage \) value = \$6850 + \$50N

Value of Production per day = labor value = \$100N

\[
\text{Profit} = \text{Value of Production} - \text{Cost of Production} = V - (CC + W) \\
= 100N - (6850 + 50N) = 50N - 6850
\]

For getting Profit,

Value of Production > Cost of Production
Or, \( 100N > (6850 + 50N) \)
Or, \( 50N > 6850 \)
Or \( N > 137 \)

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1 Adapted with modifications from web.ics.purdue.edu/~hoganr/Figures/generallaw.doc (accessed 10-6-2015)
For $N = 137$, 
Profit = $0 \text{ per day} 
Add 1 worker, 
Profit = $50 \text{ per day} 
Add 9 more workers, 
Profit = $500 \text{ per day (ten times)} 
Add 90 more workers, 
Profit = $5,000 \text{ per day (hundred times)}

**Profits increase exponentially as the number of workers increases**; Situation were economy is growing by creating jobs.

Catch: If quantity of labor available is constant, then with greater demand of labor, the wage would increase (demand curve).

Therefore, Wage increase somewhat offsets the profit.

So the capitalist takes the other route of lowering the wage by reducing the demand of labor and at the same time increasing production.

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<th>How? By making production capital intensive or by <em>accumulating constant capital</em> through assembly line production system that would</th>
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<tr>
<td>1) Mass produce commodities (increase V)</td>
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<td>2) need lesser number of workers because of automation (reduce W)</td>
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<td>3) Make job standardized by chipping it into small parts -- FW Taylor’s Scientific Management—it reduces the cost of labor in doing the job and further reduces the wage by increasing the pool of available workforce (reduce W)</td>
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The scenario: Surplus labor increases; Constant Capital increases; Labor cost decreases

Therefore, Profit increases.

But….

Surplus wages (SW) decrease and employment also decreases. Hence capacity of the worker to purchase the product that he produced himself gets lowered.

The result is a crisis of overproduction wherein the worker cannot afford to buy the products that he produced himself.

These crisis becomes greater and greater as the scale of production increases (in the U.S. there were depressions and panics every twenty years or so during the nineteenth century: in 1837, 1858, 1873, and 1893, but the big one was in 1929).

According to Marx, ultimately, these crises would lead to unrest by an unemployed and underpaid “industrial reserve army” that would destroy capitalism. They would seize control of the Means of Production (factories, land, tools, etc.) and produce what they could to satisfy their needs.

The resulting utopian society would be organized on the principle: from each according to ability; to each according to need. This was the revolution that Marx expected, once capitalism was fully developed.